

HOMESTEAD

Homestead- Economic Effects

Summary

Timber management activities within the project area have the potential to impact the economic conditions of local communities and counties. A financial efficiency analysis showed that the proposed activities would result in viable timber sale(s) that would provide about 29 million board feet of timber (52,798 CCF) with a present net value of about \$2.6 million. When accounting for all project activities both related to the timber sale and other restoration activities, the present net value of the project is \$2.0 million. The project would also create or maintain an estimated 25 jobs per year during the life of the project.

Introduction

The management of the natural resources on the Idaho Panhandle National Forest has the potential to affect local economies. People and economies are an important part of the ecosystem. Use of resources and recreational visitation to the national forests generate employment and income in the surrounding communities and counties. They also generate revenues returned to the Federal treasury or used to fund additional on-the-ground activities to accomplish resource management objectives. Resource indicators and measures for the analysis are included in Table 1.

Table 1: Resource indicators and measures for assessing economic effects.

Resource Indicator	Measure
Project feasibility	Anticipated costs and revenues
Financial efficiency	Present net value
Economic impact	Estimated jobs and labor income

The Homestead Project is located on the St. Joe Ranger District of the Idaho Panhandle National Forest. The combination of small towns and rural settings, along with people from a wide variety of backgrounds, provides a diverse social environment for the geographical region around the Idaho Panhandle National Forest, including the St. Joe Ranger District. Residents pursue a wide variety of life-styles but many share a common theme—an orientation to the outdoors and natural resources. This is reflected in both vocational and recreational pursuits including employment in logging and milling operations, outfitter and guide businesses, hiking, hunting, fishing, camping, and many other recreational activities.

Timber, tourism, and agricultural industries are important to the economy of local areas. Despite the common concern for, and dependence on, natural resources within the local communities, social attitudes vary widely with respect to their management. Residents hold a broad spectrum of perspectives and preferences ranging from complete preservation to maximum development and utilization of natural resources.

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Land and Resource Management Plan

The project is needed to address the following social and economic goals and desired conditions of the 2015 IPNF Forest Plan:

- GOAL-SES-01: Contribute to the social and economic well-being of local communities by promoting sustainable use of renewable natural resources. Provide timber for commercial harvest, forage for livestock grazing, opportunities for gathering firewood and other special forest products, permitted recreation residences, and settings for recreation consistent with goals for watershed health, sustainable ecosystems, biodiversity, and scenic/recreation opportunities.
- FW-DC-SES-01: Outputs and values generated by the Forest contribute to sustaining social and economic systems.
- FW-DC-SES-02: The outputs and values provided by the Forest contribute to the local economy through the generation of jobs and income while creating products for use, both nationally and locally. Jobs and income generated by the activities and outputs from national forest management remain stable, contributing to the functional economy surrounding the IPNF.
- FW-DC-SES-03: The outputs and values provided by the Forest contribute to community stability or growth and the quality of lifestyles in the Plan area.

The development of timber sale programs and individual timber sales is guided by agency direction found in Forest Service Manual 2430 (2400-2014-2). Forest Service Handbook 2409.18 (2400-2009-2) guides the financial and, if applicable, economic efficiency analysis for timber sales.

Many of the costs and benefits associated with a project are not quantifiable in financial terms. For example, the benefit to wildlife from habitat improvement from a project is not quantifiable in financial terms. These costs and benefits are described qualitatively in the indicated specialist reports (available on the project website). Title 40, Code of Federal Regulations for National Environmental Policy Act (40 CFR 1502.23) indicates:

For the purposes of complying with the Act, the weighing of the merits and drawbacks of the various alternatives need not be displayed in a monetary cost-benefit analysis and should not be when there are qualitative considerations.

Economic Impacts

Economic impacts are used to evaluate potential direct, indirect, and cumulative effects on the economy. These impacts are estimated using input-output analysis. Input-output analysis is a means of examining relationships within an economy, both business to business and business to final consumer relationships.

The economic impact effects are measured by estimating the direct jobs and labor income generated from: 1) processing timber volume from the project; and, 2) Forest Service expenditures for contracted restoration activities included as part of the proposed treatments. The direct employment and labor income benefit employees and their families, and therefore, directly affect the local economy. Additional indirect and induced, or multiplier effects (ripple effects) are generated by the direct activities. Together, the direct and multiplier effects comprise the total economic impacts to the local economy. Indirect effects

are felt by the producers of materials used by the directly affected industries. Induced effects occur when employees of the directly and indirectly affected industries spend the wages they receive.

Affected Environment

Most of the land area encompassed by the three-county economic impact area is managed by various public agencies, while 21 percent of the 3.0 million acres is under private ownership (EPS 2019). The Forest Service manages 1.9 million acres, or 63 percent of the land area within the Homestead impact area. Mineral County has the largest share of Federal public lands (82 percent), followed by Shoshone County with 75 percent Federal public lands. The land ownership proportions are quite different in Benewah County, with just 9 percent public land ownership. By comparison, Federal lands make up 28 percent of the land area of the United States.

In the most recent available data from the Department of Commerce (EPS 2019), timber was the largest component of commodity sector employment in the impact area, accounting for 13.6 percent of total employment, followed by mining with 12.6 percent and agriculture with 3.4 percent of total employment. In comparison, agriculture accounted for 1.3 percent of the United States' jobs, timber accounted for 0.6 percent and mining accounted for 0.5 percent.

Environmental Consequences

Direct and Indirect Effects – All Alternatives

Project Feasibility

Project feasibility is used to determine if a project is feasible—that is, will it sell, given current market conditions. The determination of project feasibility relies on a residual value (stumpage = revenues - costs) feasibility analysis, which considers logging system, timber species and quality, volume removed per acre, lumber market trends, costs for slash treatment, and the cost of specified roads, temporary roads and road maintenance. The appraised stumpage rates are compared to the base rates (revenues considered essential to cover regeneration plus minimum return to the federal treasury). The project is considered feasible if the appraised stumpage rate exceeds the no action alternative. If the feasibility analysis indicates that the project is not feasible, the project may need to be modified. Infeasibility indicates an increased risk that the project may not attract bids and may not be implemented.

The appraised stumpage rate and base rates for the proposed action are displayed in Table 2. For the proposed action, the appraised stumpage rate is greater than the no action alternative, indicating that it is feasible (highly likely to sell).

Table 2: Project Feasibility and Financial Efficiency Summary (2018 dollars).

Category	Measure	Proposed Action
Timber Harvest Information	Acres Harvested	1,232
Timber Harvest Information	Sawtimber Volume Harvested (CCF)	52,798
Timber Harvest Information	Base Rates (\$/CCF)	21.42
Timber Harvest Information	Appraised Stumpage Rate (\$/CCF)	80.12

Timber Harvest Information	Predicted High Bid (\$/CCF)	85.77
Timber Harvest Information	Total Revenue (Thousands of \$)	4,528
Timber Harvest & Required Design Features	Present net value (\$Thousands)	2,620
Timber Harvest & All Other Planned Non-Timber Activities	Present net value (\$Thousands)	2,008

Cumulative Effects – Proposed Action

The financial efficiency of the project would not be affected by the past, present, or reasonably foreseeable future actions in the project area. Other projects occurring in the economic impact area have the potential to contribute cumulatively to jobs and labor income provided by implementing this project.

References Cited

Economic Profile System (EPS). 2019. Headwaters Economics.

<https://headwaterseconomics.org/tools/economic-profile-system/about/>. Accessed Dec 17, 2019.